

MELCHER-DALLAS COMMUNITY SCHOOL DISTRICT
MELCHER-DALLAS, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

Year Ended June 30, 2014

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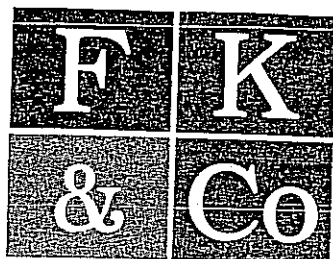
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Melcher-Dallas Community School District

Officials

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Board of Education		
(Before September 2013 Election)		
Robert Lepley	President	2015
Shane Ripperger	Vice-President	2013
Miki Alexander	Board Member	2015
Ann Fee	Board Member	2013
Jake Mathes	Board Member	2015
Board of Education		
(After September 2013 Election)		
Robert Lepley	President	2015
Shane Ripperger	Vice-President	2017
Miki Alexander	Board Member	2015
Travis Hansaker	Board Member	2017
Jake Mathes	Board Member	2015
School Officials		
Delane Galvin	Superintendent	2014
Nathan Spiegel	District Secretary/Treasurer and Business Manager	2014
Ahlers Law Firm	Attorney	Indefinite

Melcher-Dallas Community School District



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Auditor's Report

To the Board of Education of
Melcher-Dallas Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Melcher-Dallas Community School District (District), Melcher-Dallas, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Joel C. Faller, CPA

-5-
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Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 41 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

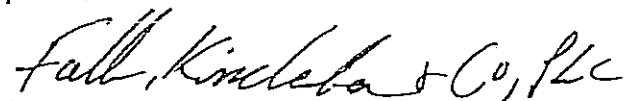
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the eight years ended June 30, 2012 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 16, 2015 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.


Faller, Kincheloe & Co., PLLC
Certified Public Accountants

March 16, 2015
Des Moines, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Melcher-Dallas Community School District (District) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,051,803 in fiscal year 2013 to \$3,598,949 in fiscal year 2014, and General Fund expenditures decreased from \$3,548,526 in fiscal year 2013 to \$3,475,744 in fiscal year 2014. The District's General Fund balance increased from \$203,559 at the end of fiscal year 2013 to \$326,764 at the end of fiscal year 2014, an increase of approximately 61%.
- The increase in General Fund revenues was attributable to a increase in property taxes, as well as more money received from the State of Iowa due to increasing enrollment the past year. The decrease in expenditures was primarily due to staff reductions resulting in decreased personnel related costs such as salary and benefits.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of the District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the District's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which the District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the non-major governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

Melcher-Dallas Community School District Annual Financial Report

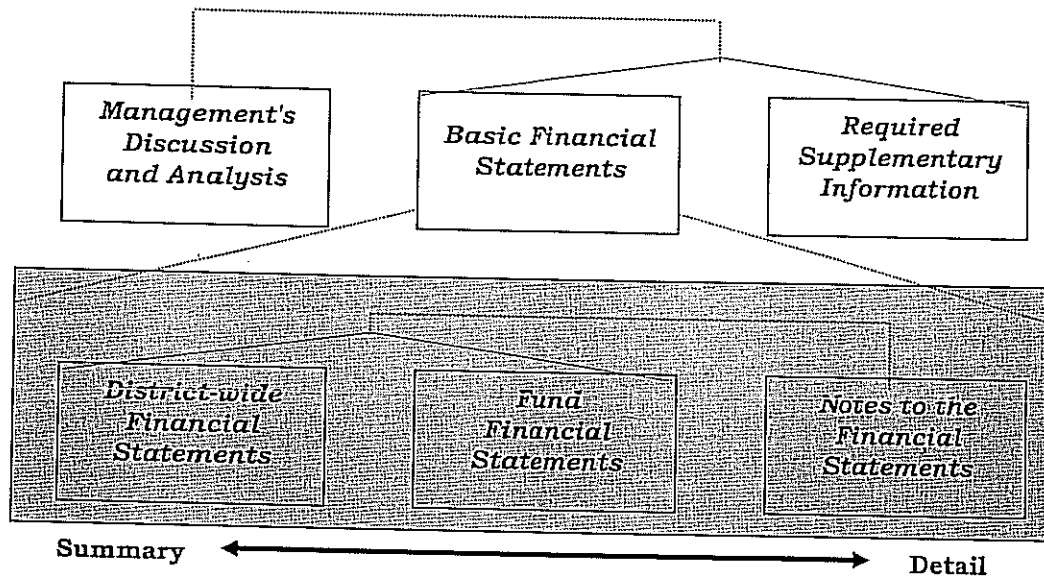


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how they have changed. Net position – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial

factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. Internal Service Funds, the other type of proprietary fund, are optional and available to report activities that provide services for other District programs and activities. The District currently has one Internal Service Fund, the HRA Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.

- *Private-Purpose Trust Fund* – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2014 compared to June 30, 2013.

Figure A-3 Condensed Statement of Net Position (Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Current and other assets	\$ 2,535	2,492	43	75	2,578	2,567	0.4%
Capital assets	3,208	3,181	14	13	3,222	3,194	0.9%
Total assets	5,743	5,673	57	88	5,800	5,761	0.7%
Long-term liabilities	1,064	1,207	5	5	1,069	1,212	-11.8%
Other liabilities	468	516	12	54	480	570	-15.8%
Total liabilities	1,532	1,723	17	59	1,549	1,782	-13.1%
Deferred inflows of resources	1,241	1,256	-	-	1,241	1,256	-1.2%
Net position:							
Net investment in							
capital assets	2,248	2,096	14	13	2,262	2,109	7.3%
Restricted	646	608	-	-	646	608	6.3%
Unrestricted	76	(10)	26	16	102	6	1600.0%
Total net position	\$ 2,970	2,694	40	29	3,010	2,723	10.5%

The District's combined net position increased by 10.5%, or approximately \$287,000, from the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$38,000, or 6.3% over the prior year. The increase was primarily a result of increased restricted balance in the General Fund.

Unrestricted net position – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$96,000, or 1600.0%. The increase in unrestricted net position was primarily the result of increased balance in the General Fund.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-2014
Revenues:							
Program revenues:							
Charges for service	\$ 317	259	68	65	385	324	18.8%
Operating grants, contributions and restricted interest	573	554	109	98	682	652	4.6%
Capital grants, contributions and restricted interest	-	-	-	5	-	5	-100.0%
General revenues:							
Property tax	1,255	1,051	-	-	1,255	1,051	19.4%
Income surtax	11	14	-	-	11	14	-21.4%
Statewide sales, services and use tax	274	249	-	-	274	249	10.0%
Unrestricted state grants	1,690	1,388	-	-	1,690	1,388	21.8%
Unrestricted investment earnings	-	1	-	-	-	1	-100.0%
Other	122	16	-	-	122	16	662.5%
Total revenues	4,242	3,532	177	168	4,419	3,700	19.4%
Program expenses:							
Instruction	2,433	2,623	-	-	2,433	2,623	-7.2%
Support services	1,224	1,066	-	-	1,224	1,066	14.8%
Non-instructional programs	11	-	166	144	177	144	22.9%
Other expenses	298	289	-	-	298	289	3.1%
Total expenses	3,966	3,978	166	144	4,132	4,122	0.2%
Increase (decrease) in net position	276	(446)	11	24	287	(422)	-168.0%
Net position beginning of year	2,694	3,140	29	5	2,723	3,145	-13.4%
Net position end of year	\$ 2,970	2,694	40	29	3,010	2,723	10.5%

In fiscal year 2014, property tax and unrestricted state grants accounted for 69.4% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 100.0% of business type activities revenue.

The District's total revenues were approximately \$4.4 million, of which approximately \$4.2 million was for governmental activities and approximately \$177,000 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 19.4% increase in revenues and a 0.2% increase in expenses. Property tax increased approximately \$204,000 to fund the increase in expenses.

Governmental Activities

Revenues for governmental activities were \$4,243,460 and expenses were \$3,967,418 for the year ended June 30, 2014. In another difficult budget year, the District was able to balance the budget using available reserves to pay for current year expenses.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses, for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-5 Total and Net Cost of Governmental Activities (Expressed in Thousands)						
	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-2014	2014	2013	Change 2013-2014
Instruction	\$ 2,433	2,623	-7.2%	1,680	1,935	-13.2%
Support services	1,224	1,066	14.8%	1,218	1,065	14.4%
Non-instructional programs	11	-	100.0%	11	-	100.0%
Other expenses	298	289	3.1%	168	166	1.2%
Total	\$ 3,966	3,978	-0.3%	3,077	3,166	-2.8%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$316,856.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$573,630.
- The net cost of governmental activities was financed with \$1,540,422 in property and other taxes and \$1,689,799 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$176,825 representing a 5.6% increase over the prior year while expenses totaled \$165,699 a 15.1% increase over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$751,120, an increase from last year's ending fund balances of \$659,584.

Governmental Fund Highlights

- The District's increasing General Fund financial position is the result of many factors. An increase in state and local revenues and a decrease in expenditures were major causes of this decrease. The District saw an increase in solvency ratio and unspent balance budget.
- The General Fund balance increased from \$203,559 to \$326,764. This represents a \$123,205 increase from the previous year. This increase is a result of increasing revenue.
- The Debt Service Fund balance increased by \$3,562 from fiscal year 2013 to fiscal year 2014.
- The Capital Projects Fund balance decreased by \$19,071 from fiscal year 2013 to fiscal year 2014. Expenditures increased approximately \$30,000 from fiscal year 2013 to fiscal year 2014. This increase in expenditures was the reason for the decrease in the fund balance.

Proprietary Fund Highlights

School Nutrition Fund net position increased for the 2014 school year. Revenues for business type activities during the year ended June 30, 2014 were \$176,825, while expenses totaled \$165,699, representing a \$11,126 increase for the year. In relation to the school nutrition program, the District continues working with Knoxville Community School District to provide the District with assistance. The goal of this arrangement was to monitor inventory, supervise health and safety standards, and to provide guidance with food purchases, menus, and staffing hours. The District recognizes the need to make significant changes in the food program. The District also realizes the need to make continuous changes for several reasons as dictated at the local, state, and federal levels. The District's business type activities include the School Nutrition Fund. The Nutrition Fund owes the General Fund \$4,777. The Nutrition Fund paid the General Fund \$20,000 of this amount in fiscal year 2014 and will gradually pay back the remaining \$4,777 it still owes.

Meal prices were raised again for the fourth year in a row for the 2013-14 school year. The high school closed their campus to students in grades 6-11 leaving it open for lunches only for the seniors, and eliminated the ala carte. The district continued an agreement with Knoxville Community School District for Food Service Management and Food Purchasing.

BUDGETARY HIGHLIGHTS

Total expenditures were less than budgeted expenditures, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional programs and other expenditures functional areas. District personnel were unable to explain why the budget was not amended.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested approximately \$3.2 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6). This represents a net increase of 0.9% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$180,700.

The original cost of the District's capital assets was approximately \$5.7 million. Governmental funds account for approximately \$5.6 million, with the remaining approximate \$0.1 million accounted for in the Proprietary, School Nutrition Fund.

Figure A-6 Capital Assets, net of Depreciation (Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Land	\$ 14	14	-	-	14	14	0.0%
Construction in progress	-	55	-	-	-	55	-100.0%
Buildings	2,535	2,617	-	-	2,535	2,617	-3.1%
Improvements other than buildings	304	143	-	-	304	143	112.6%
Furniture and equipment	355	352	14	13	369	365	1.1%
Total assets	\$ 3,208	3,181	14	13	3,222	3,194	0.9%

Long-Term Debt

At June 30, 2014, the District had \$960,000 in general obligation debt outstanding. This represents a decrease of approximately 11.5% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Figure A-7 Outstanding Long-Term Obligations (Expressed in Thousands)			
	Total District		Total Change
	June 30,		June 30,
	2014	2013	2013-2014
General obligation bonds	\$ 960	1,085	-11.5%
Total	\$ 960	1,085	-11.5%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future.

- The District will need to continue to look for ways to cut costs in the coming years to address increases in enrollment and expenses.
- Having a better inventory of equipment and establishing tighter internal regulations on purchases will help prevent unnecessary expenditures.
- The District will negotiate a new agreement with the Melcher-Dallas Education Association during fiscal 2015, effective with the 2015-16 school year. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Nathan Spiegel, School Business Official, Melcher-Dallas Community School District, 214 S. Main Street, Melcher-Dallas, Iowa, 50062.

Basic Financial Statements

Statement of Net Position

June 30, 2014

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,061,774	34,546	1,096,320
Receivables:			
Property tax:			
Delinquent	30,835	-	30,835
Succeeding year	1,241,199	-	1,241,199
Accounts	1,424	-	1,424
Due from other funds	4,777	-	4,777
Due from other governments	194,664	-	194,664
Inventories	-	8,059	8,059
Capital assets, net of accumulated depreciation	3,208,006	14,077	3,222,083
Total assets	5,742,679	56,682	5,799,361
Liabilities			
Accounts payable	70,500	-	70,500
Salaries and benefits payable	365,424	6,118	371,542
Advances from grantors	3,916	-	3,916
Due to other governments	22,734	-	22,734
Due to other funds	-	4,777	4,777
Accrued interest payable	4,754	-	4,754
Unearned revenue	-	1,180	1,180
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	125,000	-	125,000
Compensated absences	2,740	-	2,740
Portion due after one year:			
General obligation bonds	835,000	-	835,000
Net OPEB liability	101,213	4,937	106,150
Total liabilities	1,531,281	17,012	1,548,293
Deferred inflows of resources			
Unavailable property tax revenue	1,241,199	-	1,241,199
Net Position			
Net investment in capital assets	2,248,006	14,077	2,262,083
Restricted for:			
Categorical funding	222,171	-	222,171
Debt service	12,106	-	12,106
Management levy purposes	107,340	-	107,340
Student activities	43,487	-	43,487
School infrastructure	203,895	-	203,895
Physical plant and equipment	57,528	-	57,528
Unrestricted	75,666	25,593	101,259
Total net position	\$ 2,970,199	39,670	3,009,869

See notes to financial statements.

Statement of Activities

Year ended June 30, 2014

Functions / Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Governmental activities:							
Instruction:							
Regular instruction	\$ 1,352,524	145,041	357,219	-	(850,264)	-	(850,264)
Special instruction	570,066	69,531	81,306	-	(419,229)	-	(419,229)
Other instruction	510,902	95,695	4,470	-	(410,737)	-	(410,737)
	<u>2,433,492</u>	<u>310,267</u>	<u>442,995</u>	<u>-</u>	<u>(1,680,230)</u>	<u>-</u>	<u>(1,680,230)</u>
Support services:							
Student	78,327	-	-	-	(78,327)	-	(78,327)
Instructional staff	73,143	-	-	-	(73,143)	-	(73,143)
Administration	578,104	-	-	-	(578,104)	-	(578,104)
Operation and maintenance of plant	287,237	3,380	-	-	(283,857)	-	(283,857)
Transportation	207,675	3,209	-	-	(204,466)	-	(204,466)
	<u>1,224,486</u>	<u>6,589</u>	<u>-</u>	<u>-</u>	<u>(1,217,897)</u>	<u>-</u>	<u>(1,217,897)</u>
Non-instructional programs	<u>11,283</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,283)</u>	<u>-</u>	<u>(11,283)</u>
Other expenditures:							
Facilities acquisition	52,513	-	-	-	(52,513)	-	(52,513)
Long-term debt interest	33,662	-	33	-	(33,629)	-	(33,629)
AEA flowthrough	130,602	-	130,602	-	-	-	-
Depreciation (unallocated)*	81,380	-	-	-	(81,380)	-	(81,380)
	<u>298,157</u>	<u>-</u>	<u>130,635</u>	<u>-</u>	<u>(167,522)</u>	<u>-</u>	<u>(167,522)</u>
Total governmental activities	<u>3,967,418</u>	<u>316,856</u>	<u>573,630</u>	<u>-</u>	<u>(3,076,932)</u>	<u>-</u>	<u>(3,076,932)</u>
Business type activities:							
Non-instructional programs:							
Food service operations	<u>165,699</u>	<u>67,791</u>	<u>109,034</u>	<u>-</u>	<u>-</u>	<u>11,126</u>	<u>11,126</u>
Total	<u>\$ 4,133,117</u>	<u>384,647</u>	<u>682,664</u>	<u>-</u>	<u>(3,076,932)</u>	<u>11,126</u>	<u>(3,065,806)</u>
General Revenues:							
Property tax levied for:							
General purposes					\$ 1,072,068	-	1,072,068
Debt service					161,958	-	161,958
Capital outlay					21,312	-	21,312
Statewide sales, services and use tax					274,386	-	274,386
Income surtax					10,698	-	10,698
Unrestricted state grants					1,689,799	-	1,689,799
Gain on sale of capital assets					4,100	-	4,100
Unrestricted investment earnings					358	-	358
Other					118,295	-	118,295
Total general revenues					<u>3,352,974</u>	<u>-</u>	<u>3,352,974</u>
Change in net position					276,042	11,126	287,168
Net position beginning of year					2,694,157	28,544	2,722,701
Net position end of year					<u>\$ 2,970,199</u>	<u>39,670</u>	<u>3,009,869</u>

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

Melcher-Dallas Community School District

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2014

	General	Debt Service	Capital Projects	Nonmajor	Total
Assets					
Cash and cash equivalents	\$ 632,110	27,128	194,605	149,238	1,003,081
Receivables:					
Property tax:					
Delinquent	24,370	3,978	523	1,964	30,835
Succeeding year	977,783	162,426	20,990	80,000	1,241,199
Accounts	1,363	-	-	61	1,424
Due from other funds	4,777	-	19,000	-	23,777
Due from other governments	112,819	-	81,845	-	194,664
Total assets	\$ 1,753,222	193,532	316,963	231,263	2,494,980
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 35,514	-	34,550	436	70,500
Salaries and benefits payable	365,424	-	-	-	365,424
Advances from grantors	3,916	-	-	-	3,916
Due to other governments	22,734	-	-	-	22,734
Due to other funds	-	19,000	-	-	19,000
Total liabilities	427,588	19,000	34,550	436	481,574
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	977,783	162,426	20,990	80,000	1,241,199
Other	21,087	-	-	-	21,087
Total deferred inflows of resources	998,870	162,426	20,990	80,000	1,262,286
Fund balances:					
Restricted for:					
Categorical funding	222,171	-	-	-	222,171
Debt service	-	12,106	-	-	12,106
Management levy purposes	-	-	-	-	-
Student activities	-	-	-	107,340	107,340
School infrastructure	-	-	-	43,487	43,487
Physical plant and equipment	-	-	203,895	-	203,895
Unassigned	104,593	-	57,528	-	57,528
Total fund balances	326,764	12,106	261,423	150,827	751,120
Total liabilities, deferred inflows of resources and fund balances	\$ 1,753,222	193,532	316,963	231,263	2,494,980

See notes to financial statements.

Melcher-Dallas Community School District

Exhibit D

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position

June 30, 2014

Total fund balances of governmental funds (page 20)	\$ 751,120
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,208,006
The Internal Service Fund is used by management to charge the costs of funding the District's HRA benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the Statement of Net Position.	58,693
Other long-term assets are not available to pay current period expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	21,087
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(4,754)
Long-term liabilities, including bonds payable, compensated absences payable, and other post employment benefits payable are not due and payable in the current period and, therefore are not reported in the governmental funds.	(1,063,953)
Net position of governmental activities (page 18)	<u>\$ 2,970,199</u>

See notes to financial statements.

Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2014

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 1,002,603	161,958	21,312	79,953	1,265,826
Tuition	196,821	-	-	-	196,821
Other	127,760	33	86	95,743	223,622
Intermediate sources	3,000	-	-	-	3,000
State sources	2,167,085	-	274,386	-	2,441,471
Federal sources	97,580	-	-	-	97,580
Total revenues	3,594,849	161,991	295,784	175,696	4,228,320
Expenditures:					
Current:					
Instruction:					
Regular	1,340,215	-	-	50,307	1,390,522
Special	538,948	-	-	3,372	542,320
Other	403,025	-	-	96,773	499,798
	2,282,188	-	-	150,452	2,432,640
Support services:					
Student	77,525	-	-	434	77,959
Instructional staff	70,378	-	-	296	70,674
Administration	505,692	-	62,347	11,002	579,041
Operation and maintenance of plant	238,395	-	598	22,373	261,366
Transportation	160,056	-	79,980	6,924	246,960
	1,052,046	-	142,925	41,029	1,236,000
Non-instructional programs	10,908	-	-	375	11,283
Other expenditures:					
Facilities acquisition	-	-	171,930	-	171,930
Long-term debt:					
Principal	-	125,000	-	-	125,000
Interest and fiscal charges	-	33,429	-	-	33,429
AEA flowthrough	130,602	-	-	-	130,602
	130,602	158,429	171,930	-	460,961
Total expenditures	3,475,744	158,429	314,855	191,856	4,140,884
Excess (deficiency) of revenues over (under) expenditures	119,105	3,562	(19,071)	(16,160)	87,436
Other financing sources:					
Sale of capital assets	4,100	-	-	-	4,100
Total other financing sources	4,100	-	-	-	4,100
Change in fund balances	123,205	3,562	(19,071)	(16,160)	91,536
Fund balances beginning of year	203,559	8,544	280,494	166,987	659,584
Fund balances end of year	\$ 326,764	12,106	261,423	150,827	751,120

See notes to financial statements.

Melcher-Dallas Community School District

Exhibit F

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2014

Net change in fund balances - total governmental funds (page 22) \$ 91,536

*Amounts reported for governmental activities in the
Statement of Activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 204,864	
Depreciation expense	<u>(178,264)</u>	26,600

Certain revenues not collected until several months after year end are not considered available revenue and are deferred in the governmental funds. 11,040

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 125,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (232)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds as follows:

Compensated absences	(2,365)	
Other postemployment benefits	(9,820)	
Early retirement	<u>30,000</u>	17,815

The Internal Service Fund is used by management to charge the costs of funding the District's HRA benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported in governmental activities. 4,283

Change in net position of governmental activities (page 19) \$ 276,042

See notes to financial statements.

Melcher-Dallas Community School District

Exhibit G

Statement of Net Position
Proprietary Funds

June 30, 2014

	Business Type Activities	Governmental Activities
	Nonmajor Enterprise Fund - School Nutrition	Internal Service - HRA
Assets		
Current assets:		
Cash and cash equivalents	\$ 34,546	58,693
Inventories	8,059	-
Total current assets	<u>42,605</u>	<u>58,693</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	14,077	-
Total noncurrent assets	<u>14,077</u>	<u>-</u>
Total assets	<u>56,682</u>	<u>58,693</u>
Liabilities		
Current liabilities:		
Salaries and benefits payable	6,118	-
Due to other funds	4,777	-
Unearned revenue	1,180	-
Total current liabilities	<u>12,075</u>	<u>-</u>
Noncurrent liabilities:		
Net OPEB liability	4,937	-
Total noncurrent liabilities	<u>4,937</u>	<u>-</u>
Total liabilities	<u>17,012</u>	<u>-</u>
Net Position		
Net investment in capital assets	14,077	-
Unrestricted	<u>25,593</u>	<u>58,693</u>
Total net position	<u>\$ 39,670</u>	<u>58,693</u>

See notes to financial statements.

Statement of Revenues, Expenses
and Changes in Fund Net Position
Proprietary Funds

Year ended June 30, 2014

	Business Type Activities	Governmental Activities
	Nonmajor Enterprise Fund - School Nutrition	Internal Service - HRA
Operating revenues:		
Local sources:		
Charges for service	\$ 67,791	-
Employer contributions	-	7,050
Total operating revenue	<u>67,791</u>	<u>7,050</u>
Operating expenses:		
Non-instructional programs:		
Salaries	33,558	-
Benefits	24,676	-
Purchased services	5,373	-
Supplies	99,656	-
Other	-	2,767
Depreciation	2,436	-
Total operating expenses	<u>165,699</u>	<u>2,767</u>
Operating income (loss)	<u>(97,908)</u>	<u>4,283</u>
Non-operating revenues:		
State sources	5,651	-
Federal sources	103,383	-
Total non-operating revenues	<u>109,034</u>	<u>-</u>
Change in net position	11,126	4,283
Net position beginning of year	<u>28,544</u>	<u>54,410</u>
Net position end of year	<u><u>\$ 39,670</u></u>	<u><u>58,693</u></u>

See notes to financial statements.

Melcher-Dallas Community School District

Exhibit I

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2014

	Business Type Activities Nonmajor Enterprise Fund - School Nutrition	Governmental Activities Internal Service - HRA
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 67,377	-
Cash received from miscellaneous operating activities	-	7,050
Cash paid to employees for services	(58,163)	-
Cash paid to suppliers for goods and services	(91,561)	(2,787)
Net cash provided (used) by operating activities	(82,347)	4,263
Cash flows from non-capital financing activities:		
State grants received	5,651	-
Federal grants received	86,645	-
Decrease in interfund loan	(39,999)	-
Net cash provided by non-capital financing activities	52,297	-
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(3,535)	-
Net cash (used) by capital and related financing activities	(3,535)	-
Net increase (decrease) in cash and cash equivalents	(33,585)	4,263
Cash and cash equivalents beginning of year	68,131	54,430
Cash and cash equivalents end of year	\$ 34,546	58,693
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (97,908)	4,283
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Commodities used	16,738	-
Depreciation	2,436	-
(Increase) in inventories	(1,230)	-
(Decrease) in accounts payable	(2,040)	(20)
(Decrease) in salaries and benefits payable	(297)	-
(Decrease) in unearned revenue	(414)	-
Increase in other postemployment benefits	368	-
Net cash provided (used) by operating activities	\$ (82,347)	4,263

Non-cash investing, capital and financing activities:

During the year ended June 30, 2014, the District received \$16,738 of federal commodities.

See notes to financial statements.

Melcher-Dallas Community School District

Exhibit J

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2014

	<u>Private Purpose Trust Scholarship</u>
Assets	
Cash and cash equivalents	<u>\$ 10,999</u>
Total assets	<u>10,999</u>
Liabilities	<u>-</u>
Net position	
Reserved for scholarships	<u><u>\$ 10,999</u></u>

See notes to financial statements.

Melcher-Dallas Community School District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Exhibit K

Year ended June 30, 2014

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 100
Interest income	11
Total additions	<u>111</u>
Deductions:	
Instruction	<u>500</u>
Change in net position	(389)
Net position beginning of year	<u>11,388</u>
Net position end of year	<u>\$ 10,999</u>

See notes to financial statements.

Melcher-Dallas Community School District

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies

Melcher-Dallas Community School District (District) is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Melcher-Dallas, Iowa, and the predominate agricultural territory in Marion County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Marion County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following non-major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Internal Service Fund. The Enterprise, School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the health reimbursement account (HRA) monies. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Position and the Statement of Activities.

The District also reports a fiduciary fund which focuses on net position and changes in net position. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities, and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash and Cash Equivalents - The cash balances of most District funds are pooled and invested.

For the purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 1/2% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2013.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment and intangibles are reported in applicable government or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Intangibles:	
School Nutrition Fund	500
Other	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

Capital assets are depreciated/amortized using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20-50 years
Intangibles	5-10 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers and other school personnel with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Advances from Grantors - Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Deferred Inflows of Resources – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consists of income surtax, as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures exceeded the amounts budgeted in the non-instructional programs and other expenditures functions.

(2) Cash and Cash Equivalents

Because the Board minutes did not document the maximum amount which may be kept on deposit in each depository, it is unclear if the District's deposits in banks at June 30, 2014, and at other times during the fiscal year, were covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

(3) Due From and Due to Other Funds

The details of interfund receivables and payables at June 30, 2014 are as follows:

Receivable Fund	Payable Fund	Amount
General	Proprietary: School Nutrition	\$ 4,777
Capital Projects	Debt Service	<u>19,000</u>
Total		<u>\$ 23,777</u>

The above due from/to amounts represents loans between funds, and to correct improper recording of transactions.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 13,925	-	-	13,925
Construction in progress	55,237	-	55,237	-
Total capital assets not being depreciated	69,162	-	55,237	13,925
Capital assets being depreciated:				
Buildings	4,063,749	-	-	4,063,749
Improvements other than buildings	313,513	174,655	-	488,168
Furniture and equipment	1,087,675	85,447	69,188	1,103,934
Total capital assets being depreciated	5,464,937	260,102	69,188	5,655,851
Less accumulated depreciation for:				
Buildings	1,447,071	81,380	-	1,528,451
Improvements other than buildings	170,088	14,040	-	184,128
Furniture and equipment	735,535	82,844	69,188	749,191
Total accumulated depreciation	2,352,694	178,264	69,188	2,461,770
Total capital assets being depreciated, net	3,112,243	81,838	-	3,194,081
Governmental activities capital assets, net	\$ 3,181,405	81,838	55,237	3,208,006
Business type activities:				
Furniture and equipment	\$ 60,435	3,535	-	63,970
Less accumulated depreciation	47,457	2,436	-	49,893
Business type activities capital assets, net	\$ 12,978	1,099	-	14,077

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 2,740
Special	17,264
Other	9,035

Support services:

Administration	2,884
Operation and maintenance of plant	24,453
Transportation	40,508
	96,884
Unallocated	81,380

Total depreciation expense - governmental activities \$ 178,264

Business type activities:

Food service operations	<u>\$ 2,436</u>
-------------------------	-----------------

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 1,085,000	-	125,000	960,000	125,000
Compensated absences	375	2,740	375	2,740	2,740
Early retirement	30,000	-	30,000	-	-
Net OPEB liability	91,393	9,820	-	101,213	-
Total	\$ 1,206,768	12,560	155,375	1,063,953	127,740

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Business type activities:					
Net OPEB liability	\$ 4,569	368	-	4,937	-
Total	\$ 4,569	368	-	4,937	-

General Obligation Bonds

Details of the District's June 30, 2014 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 29, 2008			Bond Issue of June 24, 2013			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2015	3.96%	\$ 110,000	22,968	1.25%	\$ 15,000	5,557	125,000	28,525	153,525
2016	3.96%	110,000	18,612	1.25%	20,000	5,370	130,000	23,982	153,982
2017	3.96%	115,000	14,256	1.25%	20,000	5,120	135,000	19,376	154,376
2018	3.96%	120,000	9,702	1.25%	15,000	4,870	135,000	14,572	149,572
2019	3.96%	125,000	4,950	1.25%	15,000	4,682	140,000	9,632	149,632
2020	-	-	-	1.45%	150,000	4,495	150,000	4,495	154,495
2021	-	-	-	1.60%	145,000	2,320	145,000	2,320	147,320
Total		\$ 580,000	70,488		\$ 380,000	32,414	960,000	102,902	1,062,902

Early Retirement

In December 2012, the District approved a voluntary retirement plan for employees. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30, 2013. The application for early retirement was subject to approval by the Board of Education.

Early retirement benefits consist of one payment of \$10,000 to an employee 403 (b) retirement plan, and will be paid in one lump sum in October of the year following early retirement.

At June 30, 2014, the District had obligations to no participants with a total liability of \$0. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$30,000, which was paid on behalf of three employees.

(6) **Operating Lease**

The District entered into a lease on June 23, 2009 to lease copier equipment for \$1,050 per month. The lease has been classified as an operating lease and, accordingly, all rents are charged to expense as incurred. The lease was refinanced into a new lease during the fiscal year.

The District entered into a lease on October 31, 2013 to lease copier equipment for \$1,050 per month. The lease has been classified as an operating lease and, accordingly, all rents are charged to expense as incurred.

The following is a schedule of future payments required under the operating lease which has an initial or remaining non-cancelable lease term in excess of one year as of June 30, 2014:

<u>Year Ended</u> <u>June 30,</u>	<u>Amount</u>
2015	\$ 12,600
2016	12,600
2017	12,600
2018	12,600
2019	4,200
Total	<u>\$ 54,600</u>

During the fiscal year, payments made under these lease agreements were \$13,650.

(7) **Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$176,038, \$179,813 and \$154,716, respectively, equal to the required contributions for each year.

(8) **Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for employees and retirees and their spouses. There are 41 active and 2 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with United Healthcare. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 10,519
Interest on net OPEB obligation	4,318
Adjustment to annual required contribution	(4,649)
Annual OPEB cost	10,188
Contributions made	-
Decrease in net OPEB obligation	10,188
Net OPEB obligation beginning of year	95,962
Net OPEB obligation end of year	\$ 106,150

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$0 to the medical plan. Plan members eligible for benefits contributed \$57,309 of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 49,552	34.3%	\$ 102,843
2013	10,321	166.7%	95,962
2014	10,188	0.0%	106,150

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$76,117, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$76,117. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,041,000 and the ratio of the UAAL to covered payroll was 3.73%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy.

Mortality rates are from the Life Expectancy Table, from National Center for Health Statistics updated in 2008, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the table 1 of GASB Statement 45.

Projected claim costs of the medical plan are \$451 per month for retirees less than age 65. The salary increase rate was assumed to be 2.25% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) **Risk Management**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) **Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$130,602 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) **Categorical Funding**

The District's restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

Program	Amount
At-risk program	\$ 29,634
Talented and gifted	14,358
Returning dropout and dropout prevention program	81,049
Four year old preschool	13,335
Beginning teacher mentoring and induction program	2,056
Health care trust fund	4,177
Successful progression for early readers	5,413
Early intervention block grant	32,721
Educator quality, market factor	1,891
Teacher leadership grants	6,050
Professional development	13,881
Professional development for model core curriculum	17,606
Total	<u>\$ 222,171</u>

(12) **Subsequent Events**

The District has evaluated subsequent events through March 16, 2015, which is the date the financial statements were available to be issued.

The District has one known lawsuit as of March 16, 2015. This matter has been turned over to the District's insurance company. The District believes the portion of any potential costs or settlement in relation to this lawsuit not covered by insurance would not materially affect the financial position of the District. However, the probability and amount of loss, if any, is undeterminable.

(13) **Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

Required Supplementary Information

Melcher-Dallas Community School District

Budgetary Comparison Schedule of
Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Less Funds Not Required to be Budgeted	Net	Budget Amounts	Budget to Net Variance
Revenues:							
Local sources	\$ 1,686,269	74,841	1,761,110	(7,050)	1,754,060	1,866,724	(112,664)
Intermediate sources	3,000	-	3,000	-	3,000	3,000	-
State sources	2,441,471	5,651	2,447,122	-	2,447,122	2,177,542	269,580
Federal sources	97,580	103,383	200,963	-	200,963	196,000	4,963
Total revenues	4,228,320	183,875	4,412,195	(7,050)	4,405,145	4,243,266	161,879
Expenditures / Expenses:							
Instruction	2,432,640	-	2,432,640	-	2,432,640	2,650,000	217,360
Support services	1,236,000	-	1,236,000	-	1,236,000	1,585,263	349,263
Non-instructional programs	11,283	168,466	179,749	(2,767)	176,982	150,000	(26,982)
Other expenditures	460,961	-	460,961	-	460,961	307,413	(153,548)
Total expenditures/expenses	4,140,884	168,466	4,309,350	(2,767)	4,306,583	4,692,676	386,093
Excess (deficiency) of revenues over (under) expenditures/expenses	87,436	15,409	102,845	(4,283)	98,562	(449,410)	547,972
Other financing sources, net	4,100	-	4,100	-	4,100	-	4,100
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses and other financing uses	91,536	15,409	106,945	(4,283)	102,662	(449,410)	552,072
Balances beginning of year	659,584	82,954	742,538	(54,410)	688,128	966,134	(278,006)
Balances end of year	\$ 751,120	98,363	849,483	(58,693)	790,790	516,724	274,066

See accompanying independent auditor's report.

Melcher-Dallas Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2014

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District did not adopt a budget amendment.

During the year ended June 30, 2014, expenditures in the non-instructional programs and other expenditures functions exceeded the amounts budgeted.

Melcher-Dallas Community School District

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 323	323	0.0%	\$ 2,000	16.15%
2011	July 1, 2009	-	323	323	0.0%	2,000	16.15%
2012	July 1, 2009	-	323	323	0.0%	1,960	16.50%
2013	July 1, 2012	-	76	76	0.0%	2,050	3.71%
2013	July 1, 2012	-	76	76	0.0%	2,041	3.73%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

Melcher-Dallas Community School District

Schedule 1

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2014

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Cash and cash equivalents	\$ 105,376	43,862	149,238
Receivables:			
Property tax:			
Delinquent	1,964	-	1,964
Succeeding year	80,000	-	80,000
Accounts	-	61	61
Total assets	\$ 187,340	43,923	231,263
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	436	436
Total liabilities	-	436	436
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	80,000	-	80,000
Total deferred inflows of resources	80,000	-	80,000
Fund balances:			
Restricted for:			
Management levy purposes	107,340	-	107,340
Student activities	-	43,487	43,487
Total fund balances	107,340	43,487	150,827
Total liabilities, deferred inflows of resources and fund balances	\$ 187,340	43,923	231,263

See accompanying independent auditor's report.

Melcher-Dallas Community School District

Schedule 2

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2014

	Special Revenue		
	Management	Student	Total
	Levy	Activity	
Revenues:			
Local sources:			
Local tax	\$ 79,953	-	79,953
Other	48	95,695	95,743
Total revenues	80,001	95,695	175,696
Expenditures:			
Current:			
Instruction:			
Regular	50,307	-	50,307
Special	3,372	-	3,372
Other	2,293	94,480	96,773
Support services:			
Student	434	-	434
Instructional staff	296	-	296
Administration	11,002	-	11,002
Operation and maintenance of plant	22,373	-	22,373
Transportation	6,924	-	6,924
Non-instructional programs	375	-	375
Total expenditures	97,376	94,480	191,856
Change in fund balances	(17,375)	1,215	(16,160)
Fund balances beginning of year	124,715	42,272	166,987
Fund balances end of year	\$ 107,340	43,487	150,827

See accompanying independent auditor's report.

Melcher-Dallas Community School District

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2014

Account	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
Interest	\$ 63	24	-	-	87
High School Athletics	7,062	40,632	39,383	(1,950)	6,361
Music	542	1,358	610	-	1,290
SADD	1,771	-	-	-	1,771
Cheerleaders	1,271	2,972	3,961	261	543
FBLA	1,709	2,863	4,094	1,950	2,428
Yearbook	2,999	4,627	3,393	-	4,233
FCCLA	138	1,924	1,778	-	284
FFA	8,341	17,588	18,515	175	7,589
Student Council	7,129	9,190	8,806	-	7,513
Drill Team	5	8,120	7,467	-	658
Thespian Club	1,790	664	2,430	-	24
Spanish Club	121	-	-	-	121
Elementary Student Government	5,847	1,438	1,485	-	5,800
Science Club	114	1,480	521	-	1,073
Class of 13	372	-	-	-	372
Class of 15	250	2,815	2,037	(436)	592
Junior High	2,748	-	-	-	2,748
Total	\$ 42,272	95,695	94,480	-	43,487

See accompanying independent auditor's report.

Melcher-Dallas Community School District

Schedule 4

Combining Balance Sheet
Capital Project Accounts

June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and cash equivalents	\$ 137,600	57,005	194,605
Receivables:			
Property tax:			
Delinquent	-	523	523
Succeeding year	-	20,990	20,990
Due from other funds	19,000	-	19,000
Due from other governments	81,845	-	81,845
Total assets	\$ 238,445	78,518	316,963
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 34,550	-	34,550
Total liabilities	34,550	-	34,550
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	20,990	20,990
Total deferred inflows of resources	-	20,990	20,990
Fund balances:			
Restricted for:			
School infrastructure	203,895	-	203,895
Physical plant and equipment	-	57,528	57,528
Total fund balances	203,895	57,528	261,423
Total liabilities, deferred inflows of resources and fund balances	\$ 238,445	78,518	316,963

See accompanying independent auditor's report.

Melcher-Dallas Community School District

Schedule 5

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances

Capital Project Accounts

Year ended June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	21,312	21,312
Other	66	20	86
State sources	274,386	-	274,386
Total revenues	274,452	21,332	295,784
Expenditures:			
Support services:			
Administration	62,347	-	62,347
Operation and maintenance of plant	-	598	598
Transportation	79,980	-	79,980
Other expenditures:			
Facilities acquisition	164,652	7,278	171,930
Total expenditures	306,979	7,876	314,855
Change in fund balances	(32,527)	13,456	(19,071)
Fund balances beginning of year	236,422	44,072	280,494
Fund balances end of year	\$ 203,895	57,528	261,423

See accompanying independent auditor's report.

Melcher-Dallas Community School District

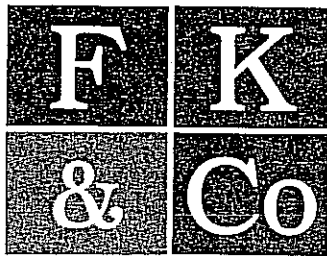
Schedule 6

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Ten Years

	Modified Accrual Basis									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax										
Tuition	\$ 1,265,826	1,412,690	1,487,948	1,429,557	1,394,776	1,218,608	1,197,503	1,216,786	1,379,115	1,201,987
Other	196,821	133,065	127,542	107,201	123,082	115,752	87,076	37,682	65,376	64,011
Intermediate sources	223,622	150,387	127,883	167,840	171,990	213,248	228,925	272,977	222,448	139,860
State sources	3,000	-	2,765	-	-	-	-	1,000	-	-
Federal sources	2,441,471	1,808,707	1,939,550	1,995,950	1,896,360	2,502,678	2,538,309	2,331,711	2,094,760	2,027,764
	97,580	130,091	78,523	237,495	383,115	116,884	67,614	165,426	182,962	142,202
Total	\$ 4,228,320	3,634,940	3,764,211	3,938,043	3,969,323	4,167,170	4,119,427	4,025,582	3,944,661	3,575,824
Expenditures:										
Instruction:										
Regular	\$ 1,390,522	1,607,049	1,569,997	1,392,914	1,401,023	1,447,433	1,547,492	1,369,143	1,363,106	1,338,034
Special	542,320	483,322	398,225	524,352	510,811	660,962	624,345	627,223	546,650	570,841
Other	499,798	464,576	463,756	469,220	554,480	390,800	416,425	391,935	369,681	333,797
Support services:										
Student	77,959	84,667	66,605	37,383	32,308	51,738	45,735	53,398	68,468	62,674
Instructional staff	70,674	75,571	70,623	63,721	77,829	42,090	38,563	12,977	48,804	43,767
Administration	579,041	513,071	471,032	464,828	446,841	469,718	556,861	486,116	445,826	392,616
Operation and maintenance of plant	261,366	301,010	254,779	249,382	223,709	326,200	316,465	317,989	299,611	251,233
Transportation	246,960	222,908	160,860	246,756	182,836	171,306	197,068	195,192	203,330	105,591
Non-instructional programs	11,283	187	248	355	348	428	429	414	352	391
Other expenditures:										
Facilities acquisition	171,930	97,246	6,410	1,126	5,842	380,061	11,950	31,824	-	10,383
Long-term debt:										
Principal	125,000	110,000	110,000	105,000	100,000	100,000	90,000	80,000	75,754	70,665
Interest and other charges	33,429	64,363	55,884	59,986	63,880	68,199	92,507	86,525	90,724	95,953
AEA flowthrough	130,602	122,660	123,248	141,596	142,824	137,704	134,635	130,293	124,015	123,819
Total	\$ 4,140,884	4,146,630	3,751,667	3,756,619	3,742,731	4,246,639	4,072,475	3,783,029	3,636,321	3,399,764

See accompanying independent auditor's report.



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
Melcher-Dallas Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Melcher-Dallas Community School District (District) as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 16, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items (A), (B), (C), (E), (G) and (H) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (D), (F) and (I) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Faller, Kincheloe & Co., PLC
Certified Public Accountants

March 16, 2015
Des Moines, Iowa

Melcher-Dallas Community School District

Schedule of Findings

Year ended June 30, 2014

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties – One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person. Also, in some cases, vouchers are processed, disbursements are recorded and checks are prepared by the same person.

Recommendation – We realize that it is difficult to segregate duties with a limited number of office employees. However, the Melcher-Dallas Community School District (District) should review its operating procedures to obtain the maximum control possible under the circumstances using currently available staff, including elected officials.

Response – We will continue to investigate available alternatives.

Conclusion – Response acknowledged.

- (B) Financial Reporting – During the audit, we identified material amounts of assets, liabilities, revenues and expenditures not properly recorded in the District's financial statements. In addition, several adjustments were posted directly to fund balance, which were also not properly recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all assets, liabilities, revenues, expenditures and fund balances are identified and properly included in the District's financial statements.

Response – We will double check these in the future to avoid missing transactions.

Conclusion – Response acknowledged.

- (C) Preparation of Full Disclosure Financial Statements - Internal controls over financial reporting include the actual preparation and review of financial statements, including footnote disclosure, for external reporting, as required by generally accepted accounting principles. The District does not have the internal resources to prepare the full-disclosure financial statements required by generally accepted accounting principles for external reporting. While this circumstance is not uncommon for most governmental entities, it is the responsibility of management and those charged with governance to prepare reliable financial data, or accept the risk associated with this condition because of cost or other considerations.

Recommendation – We recognize that with a limited number of office employees, gaining sufficient knowledge and expertise to properly select and apply accounting principles in preparing full-disclosure financial statements for external reporting purposes is difficult. However, we recommend that District officials continue to review operating procedures and obtain the internal expertise needed to handle all aspects of external financial reporting, rather than rely on external assistance.

Response – We recognize our limitations, however, it is not fiscally responsible to add additional staff for this purpose.

Conclusion – Response acknowledged.

Melcher-Dallas Community School District

Schedule of Findings

Year ended June 30, 2014

- (D) Account Codes – Several instances were noted where account codes used on the general ledger were inaccurate. In addition, instances were noted where the District recorded revenues as negative expenditures.

Recommendation – The District should implement procedures to ensure the account codes used on the general ledger are accurate, and that all transactions are properly recorded in the general ledger.

Response – We will attempt to implement this recommendation.

Conclusion – Response acknowledged.

- (E) Fixed Assets – Fixed assets were not periodically counted and reconciled to the fixed asset listing by an independent person. Also, a perpetual record of fixed assets is not kept. Generally accepted accounting principles require an accurate fixed asset listing be maintained.

Recommendation – To provide additional control over the proper recording of fixed assets, fixed assets should be periodically counted and reconciled to the fixed asset listing by a person who does not have custody of the fixed assets. Also, a perpetual fixed asset listing should be kept.

Response – We will review this situation.

Conclusion – Response acknowledged.

- (F) Deposits – An instance was noted where receipts were not deposited up to a month after the initial receipt of those funds. For control purposes, all monies should be deposited more timely to the bank, preferably daily.

Recommendation – The District should implement procedures to ensure all monies received are timely deposited to the bank, preferably daily.

Response – We will attempt to implement this recommendation.

Conclusion – Response acknowledged.

- (G) Bank Reconciliation – Monthly reconciliation of the District's balances to the bank accounts were not reviewed by an independent person. The reconciling items and listing of outstanding checks are not reviewed for propriety. Many inaccurate reconciling items were included on the bank reconciliations. In addition, material differences existed in the reconciliations between the bank and book amounts at June 30, 2014, which were subsequently resolved.

Recommendation – To improve financial accountability and control, a monthly reconciliation of the book and bank balances should be prepared and reviewed by an independent individual. Any variances should be investigated and resolved in a timely manner.

Response – We will implement this recommendation

Conclusion – Response acknowledged.

Melcher-Dallas Community School District

Schedule of Findings

Year ended June 30, 2014

- (H) Accounting Records – A separate process for making adjustments to the accounting records was not documented. Also, adjustments were not identified and recorded in a manner to clearly document the purpose of the adjustments. Supporting documentation was not retained for certain adjustments. In addition, non-routine adjustments were not reviewed and approved by a responsible official.

Recommendation – The District should develop a process for making adjustments to the accounting records. All adjustments should be adequately explained and supported. Adjustments should be reviewed and approved by a responsible official.

Response – The District will make adjustments as soon as they are needed. Adjustments will be adequately explained and proper support will be maintained. Adjustments will be approved by responsible officials.

Conclusion – Response acknowledged.

- (I) Student Activity Fund – For Activity Fund fundraisers, there are no documented procedures in place to reconcile the cash receipts to the amount of money that should have been collected based on the quantity of merchandise purchased for resale or gross profit percentage.

Recommendation – The District should implement procedures for fundraisers which documents the reconciliation of actual monies collected to the amount of money that should have been collected based on quantity of merchandise purchased for resale or gross profit percentages.

Response – We will review this area.

Conclusion – Response acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Melcher-Dallas Community School District

Schedule of Findings

Year ended June 30, 2014

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Expenditures for the year ended June 30, 2014 exceeded the certified budget amounts in the non-instructional programs and other expenditures functions.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response acknowledged.

- (2) Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense - No expenditures of Melcher-Dallas Community School District (District) money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- (4) Business Transactions – No business transactions between the District and District officials or employees were noted.
- (5) Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the District minutes but were not.

Instances were noted where the board minutes and the related schedule of bills allowed were either not published or were not timely published as required by the Code of Iowa. Chapter 279.35 of the Code of Iowa requires that all board minutes be published within two weeks of the board meeting.

Instances were noted where the board minutes were not signed by either the Board President or the Board Secretary.

Recommendation – We recommend that the Board meeting minutes and the related schedule of bills allowed be published within two weeks of the Board meeting as required per the Code of Iowa. In addition, the board minutes should be signed by the Board President and the Board Secretary.

Response – We will implement these recommendations.

Conclusion – Response acknowledged.

- (7) Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- (8) Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

Melcher-Dallas Community School District

Schedule of Findings

Year ended June 30, 2014

- (9) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted, except that the Board minutes did not document the maximum amount which may be kept on deposit in each depository.

Recommendation – To be in compliance with Chapter 12C of the Code of Iowa, the District should implement procedures to ensure the Board minutes document the maximum amount which may be kept on deposit in each depository.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

- (10) Certified Annual Report – The Certified Annual Report was not timely certified to the State of Iowa. In addition, we noted material variances between the amounts reported on the Certified Annual Report and the financial statements.

Recommendation – The District should contact the Iowa Department of Education to resolve these issues.

Response – We have contacted the Department of Education and will make adjustments through the certified annual report for the next fiscal year. We will also timely file the Certified Annual Report in the future.

Conclusion – Response acknowledged.

- (11) Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds. However, for full-time employees who work part-time on categorical funded projects, no time records are kept which documents the amount of time spent on categorical funded projects.

Recommendation – The District should contact the Iowa Department of Education regarding corrective action to be taken.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

- (12) Statewide Sales, Services and Use Tax – Except as noted below, no instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

The District expended \$863 for copier supplies which do not appear to be an allowable use in accordance with Chapter 423F.3 of the Code of Iowa.

Recommendation – The District should ensure expenditures of statewide sales, services and use tax revenue are limited to allowable uses.

Response – The District will review expenditures to ensure compliance in the future.

Conclusion – Response acknowledged.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenues. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2014 audit:

Beginning balance		\$ 236,422
Revenues:		
Statewide sales, services and use tax	\$ 274,386	
Other local revenues	<u>66</u>	<u>274,452</u>
		510,874
Expenditures:		
School infrastructure construction	164,652	
Equipment	<u>142,327</u>	<u>306,979</u>
Ending balance		<u>\$ 203,895</u>

For the year ended June 30, 2014, the District did not reduce any levies as a result of moneys received under Chapter 423E and 423F of the Code of Iowa

- (13) Interfund Loans – The Iowa Department of Education issued a Declaratory Order (Order) dated October 22, 2009 outlining requirements for interfund loans. During the current and prior fiscal year, the District made loans between various funds. The District did not comply with the Order's requirements, as follows:

- The interfund loans were not always formally approved by the Board.
- A provision for interest was not included in the resolution authorizing the interfund loan.
- The loans were not repaid by October 1 of the fiscal year following the fiscal year in which the loan occurred. For loans unable to be repaid, the District did not follow the remedies available under Chapter 74, 278.1(5) or 24.22 of the Code of Iowa.

Recommendation – The District should comply with the requirements for existing and future interfund loans.

Response – We will implement this recommendation to the best of our ability.

Conclusion – Response acknowledged.

- (14) Financial Condition – The Special Revenue, Management Levy Fund had a fund balance of \$107,340 at June 30, 2014. Total expenditures from this fund in fiscal year 2014 were \$97,376. As a result, the fund balance in this fund may be excessive.

Recommendation – The District should ensure the balance in the Special Revenue, Management Levy Fund is reasonable.

Response – We will review the Special Revenue, Management Levy Fund for reasonableness.

Conclusion – Response acknowledged.

Melcher-Dallas Community School District

Schedule of Findings

Year ended June 30, 2014

- (15) Construction Project – The District hired a contractor to install a new boiler and perform the related ductwork. Based on documentation provided by the District, the contractor indicated that the total cost would be \$152,561. However, the District paid \$156,358 for this service. The District was unable to provide an explanation as to why this difference existed.

Recommendation – The District should implement procedures to ensure the amount paid by the District to construction contractors agrees to the contract amount, and if differences exists, a change order should be approved.

Response – We will implement this recommendation in the future.

Conclusion – Response acknowledged.

- (16) Fixed Asset Sales – The District sold a bus in the year. However, the District did not follow Chapter 297.22 of the Code of Iowa which requires that “each sale shall be published by at least one insertion each week for two consecutive weeks in a newspaper having general circulation in the district.”

Recommendation – On future fixed asset sales, the District should implement procedures to ensure compliance with Chapter 297.22 of the Code of Iowa.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

- (17) Disbursements – Instances were noted where the District paid late fees and interest on a credit card and paid finance charges on an invoice.

Instances were noted where invoices could not be located for items purchased with a credit card.

Recommendation – The District should implement procedures to ensure late fees, interest and finance charges are not incurred and paid, and that invoices are obtained and retained for all purchases.

Response – We will implement these recommendations.

Conclusion – Response acknowledged.

- (18) Payroll Issues – Instances were noted where some employee compensation paid was not being recorded as payroll. As a result, payroll taxes were not being paid by the District on this payroll as required by Internal Revenue Service regulations.

For several employees tested, difference in rates of pay exist between the wage amount as documented on the employee contract, the wage amount as documented on the union scale, and the actual wage amounts paid to the employee. As a result, it would appear that some employees were overpaid, and other employees were underpaid.

In some instances, it does not appear the District properly computed the IPERS gross wage amounts. As a result, it appears IPERS was overpaid in several instances.

Melcher-Dallas Community School District

Schedule of Findings

Year ended June 30, 2014

Recommendation – The District should implement procedures to ensure all employee compensation is being recorded as payroll, as required by Internal Revenue Service regulations.

The District should also implement procedures to ensure all employees are paid the correct rate of pay. In addition, the District should work with IPERS to ensure the proper amount of monies are remitted to IPERS.

Response – We will ensure all employee compensation is paid as payroll. In addition, all employee rates of pay will agree to the union scale in the future.

We will also ensure that all employees are paid the correct rates of pay. We have also work with IPERS on the above issue.

Conclusion – Response acknowledged.

- (19) Sharing Weighting – It does not appear the District will receive any sharing weighting monies from the State of Iowa for a shared superintendent and a shared teacher. It appears the District failed to report this data to the Iowa Department of Education. District personnel were apparently unaware of this situation until we brought it to their attention. As a result, the Department of Education has no records that sharing weighting monies are due to the District. If the District does not receive any sharing weighting monies from the State of Iowa because of this omission, the District would be forgoing several thousand dollars that was due to them from the State of Iowa.

Recommendation – The District should implement procedures to ensure all sharing weighting monies due to them from the State of Iowa are received in the future.

Response – We will implement this recommendation

Conclusion – Response acknowledged.